

MARKET FINANCIAL COURSE

LOWER PRICES ON THE RAILS

Only Partial Success of St. Paul Bond Issue a Bear Factor.

GOOD LOCAL MARKET

Investment Buying Keeps Prices Strong. Ten Potent Arguments—Gossip of the Street.

By I. A. FLEMING.

Wall Street was a slow place yesterday. At no time did the market show any life, and, but for the rather sensational covering and accompanying rise in Mexican Petroleum and also in California Oil, the day would have been devoid of feature.

The trend was to lower prices, distinctly so, with the partial success of the St. Paul bond issue as one of the chief reasons for the weakness. The street wondered what would happen when other roads made moves to take up short-term notes and to pay for needed equipment, etc.

The bulls seemed to lack confidence to do anything themselves, their belief in higher prices having been shaken by the multitude of perhaps and possibilities in the situation yesterday.

Ten Cardinal Points.

The Boston News Bureau, one of the most searching of financial papers, has made a close survey of Wall Street, and has summed the situation up in ten cardinal points as follows:

1. General business is holding remarkably well.

2. The currency problem and the labor problem are more serious than the tariff problem.

3. The St. Paul offering of an "AAA" bond issue on a 12 1/2 per cent basis is portentous. If our savings banks marked down their gilt-edged bond holdings to the basis indicated by the new St. Paul issue, it would seriously cut into surplus accounts.

4. Our banks are stocked with securities, purchased when money was plentiful following the panic of 1907, which cannot be now disposed of because of the present unsatisfactory investment situation.

5. Money may be very scarce next fall. Many banking houses are refusing to enter contracts which extend beyond August.

6. The \$20,000,000 Interborough-Metropolitan bond issue, a 12 1/2 per cent payment on which was called last Friday, will absorb all the free investment funds of these parts for some time. The syndicate extends for five years.

7. An advance in railroad rates is absolutely necessary and inevitable. The government has practically taken over the railroads, and hasn't paid for them.

8. Physical valuation of railroads is welcomed. There isn't a single so-called standard railroad system in the country but what is undercapitalized.

9. There isn't a railroad in the country, practically speaking, but is in need of money, and would enter the market with securities if conditions were favorable. Our 250,000 miles of road should have in capital improvements \$1,000,000,000 per annum, just to keep our transportation system abreast of the nation's demands.

10. Careful estimates place the short interest in Steel at 25,000 shares. One large commission house has almost exactly as many customers short of Steel as it has long, a most unusual situation.

Mexican Petroleum.

Action in Mexican Petroleum, one of the speculative stocks that shows more or less activity every day, was heavy. It opened at about Thursday's closing, 6 1/2, and then rose more or less steadily to 6 5/8, with shorts covering freely. From the high there was a slight reaction.

California Petroleum gained also, but nothing like as much as the Mexican, but 1/2 advance being established.

Waiting.

The general market is again at the place of waiting—waiting and hoping against hope that the Supreme Court will come into chambers on Monday and hand down a favorable decision for the railroads on Monday next. Perhaps it may, equally perhaps it will not.

But the street looks for it and considers it the one thing necessary to stabilize the backbone of a weak market, and yet not so weak, when conditions generally are considered.

Subscriptions for the St. Paul bond issue were but few yesterday. The syndicate will take the other \$18,000,000.

Canadian Pacific, which was well bought Thursday, was sold just as freely yesterday. The price was 34 1/2. Louisville and Nashville was off 3/4. Louisville Tobacco dropped 3/4, while Reading, Union Pacific, and Steel, with Southern Pacific, eased off 1/2 point.

Closing.

The closing was better than the low of the day, without any enlargement of operations, 246,000 shares being Friday's record.

Local Stocks.

Local securities proceeded again yesterday to give a good account of themselves, as usual, in periods when Wall Street is a bit uneasy concerning conditions. While there was no rush of business, the securities that were traded in were all for investment. Prices showed little or no change.

Railway common sold at 92 and the same price was bid for the preferred, with offerings at 93. Small sales of the latter were made at 92 1/2-1/4, the highest bid on this rally.

Washington Trust made a small fraction easier, 34 1/2 the price on the only sale made.

Second National Bank showed in the sales list at 102 1/2-3/4. No other bank shares were traded in. Merchenthaler, 219 to 218 1/2.

There were more bond transactions than stock trades. Probably the belief that they will be accepted as surety for tax money may have inspired some purchases.

Gas was sold at 195 1/2, traction at 195 1/2-1/4. Potomac Consolidated was at 195 1/2-1/4, and Steamboat at 105.

Undertone of the market is good. Strictly investment buying, no evidences of speculation.

Municipal Bonds.

A stimulus to the municipal security market should result from the interpretation of the proposed income tax law. In many instances it is now almost impossible to ascertain with any degree of certainty just what proportion of an individual's income from investments is taxable and what is exempt. Already many important questions have been raised relative to the interpretation of the various clauses, more particularly relating to railroad and industrial securities which were guaranteed tax exempt at the time they were issued.

There is one class of investments, however, to which no such uncertainty attaches. These are municipal bonds.

Section C provides that "in computing net income there should be excluded the interest upon the obligations of the State or political subdivision thereof, and upon the obligations of the United States, the principal and interest of which are now exempt by law from Federal taxation."

In other words, the income from all municipal bonds is exempt.

Since this fact will naturally revert to the source on which it is levied, and to that extent reduce the market value of the stocks or bonds so affected, it is reasonable to conclude that municipal bonds will receive a special advantage over other classes of securities which should enhance their attractiveness as investments.

Munsey Trust Company.

As announced exclusively in The Washington Herald on Thursday morning, Frank A. Munsey will head a trust company bearing his name to open for business in Washington next month.

Subscription books open here and in Baltimore on the 26th instant, and close the same day. The advertisement of the proposed venture cites success of local companies, made after years of honest effort to uphold, and other pertinent matters.

Washington already has six trust companies, twelve national banks, and sixteen savings banks, and the field is being combed for deposits. Thirty-four fiscal institutions in a city of this size ought to be about enough.

NEW YORK STOCK MARKET.

New York, April 18. High. Low. Close.

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1000 Am. Can. 100 100 100
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